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NAVY RECRUITING AND RETENTION: YESTERDAY,
TODAY, AND TOMORROW

by

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Preface

I became interested in the challenges of Navy recruiting and retention while serving as a Minority Accessions Counselor (MAC) for the United States Naval Academy from 1993 through 1996. While serving as a MAC at the Naval Academy, I was surprised at the difficulty in recruiting young people for a program that was deemed one of the very best educational and career opportunities for high school seniors. Following my tour at the Naval Academy, I served as Flag Secretary and Assistant Chief of Staff for Administration for Commander, Carrier Group Five. As the manpower expert on the staff, I became intimately familiar with the retention challenges facing the Navy. I gained valuable manning knowledge and an appreciation of the negative impact decreased manning has on unit readiness, force quality, and the future of the Navy. In examining past and present recruiting and retention methodologies, and the historical impact of our nation's economic, cultural, and societal environment, some patterns and indicators are consistent through each significant period of military and Naval history. The Navy can improve its recruiting and retention efforts by recognizing and addressing these patterns and indicators.

I wish to thank my faculty research advisor, CDR Steven Carden, for helping me to remain focused. Also, I would like to acknowledge the following people and organizations for their assistance in providing guidance, data, and background information: CDR Lois Gruendl, Bureau of Naval Personnel, Office of Manpower

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Abstract

Following the end of the Gulf War in 1992, the United States Navy started a massive reduction of active duty personnel. Force reduction efforts spanned throughout the early to mid-90's and were pursued through a number of programs, including early out incentives, early retirement boards, limitations on time in service for specific pay-grade levels, mandatory retirement boards, and a more liberal administrative separation policy. As the Navy embarked on its big force reduction initiative, operational commitments for individual units did not decrease. In fact, the United States increased its focus in smaller scale contingencies, which served to increase operational commitments and time away from home for sailors. During the same period, the economy experienced unprecedented growth and prosperity. Additionally, unemployment rates were at all time lows and continue to remain consistently low. Concurrently, the United States Navy is experiencing its worst recruiting and retention performance since the advent of the all-volunteer force. The force reduction efforts, increased deployments, the state of the economy, and other key factors have combined to negatively affect the Navy's recruiting and retention performance. An examination of the cause and effects of these significant factors provides many lessons to learn. Recognizing and understanding the potential affect of these factors can go a long way toward improving the Navy's current state of recruiting and retention.

CHAPTER 1

PROBLEM, BACKGROUND, AND SIGNIFICANCE

The basic thesis of this paper is: Given the Navy's recruiting and retention problems during the '90s, what could the Navy have done to better manage its manning efforts, and how can the Navy now prepare better recruiting and retention tools for the next decade?

Since the start of the decade, the Navy has experienced problems in meeting its end strength total force goals. From 1992 through 1997, the Navy fell short of its original accession goals by an average of 11 percent. Navy recruiters posted their best performance in 1994 with a scant 2 percent shortfall. In 1996, just two years later, Navy recruiters missed the mark by 19 percent. During this period of recruiting shortfalls, qualitative and overall retention also suffered. Perhaps, the most significant recruiting shortfall was in the area of general detailed (GENDET) sailors. GENDET sailors are the sailors that provide immediate payback for the Navy's initial investment. These sailors are sent directly from initial training to the Fleet to perform the grunt work - facilities maintenance, basic watch-standing duties, etc. – that enable the technically trained sailors to perform duties for which they were trained. In fiscal year 1996, 75 percent of the shortfall or roughly 8,300 sailors, were projected GENDETs. The Navy only made 85 percent of it's "A" school accession goal that same year. "A" school is the course of instruction that provides the initial apprentice training to the Navy's skilled enlisted

force. The following year, the Navy filled only 78 percent of its “high interest,” (most critical) undermanned “A” school billets while missing GENDET requirements by roughly 1,700 personnel.

In addition to accession woes, the Navy was unable to meet retention goals for the most critical ratings for the first half of fiscal year 1997.¹ These shortfalls have immediate and long-term implications on Navy manning and readiness. The Navy requires specific manning levels and a specific combination of skills and experience to maintain its ships, squadrons, supporting units and their systems in safe, efficient, and combat ready operating and material condition. Not only do manning shortfalls affect the Navy’s ability to deploy units today, but the shortfalls in the more critical technical skills and experience levels could have a more significant impact on the future deployment of Navy units.

A variety of factors have contributed to these shortfalls. Some of the factors were planned for, and partially compensated for, by the Navy as it considered its manning requirements through the challenging decade of the ‘90s. Other factors were more variable and not as easy to compensate for. Undoubtedly, the most significant factor affecting Navy recruiting and retention during the ‘90s is the Navy’s force reduction. During this period the total number of ships, squadrons and supporting units were drastically reduced. Concurrently, the Navy embarked on an ambitious and aggressive effort to reduce its total force from 593,000 at the start of the decade to 372,000 by the end of the decade.² While ships, personnel and units decreased the Navy’s worldwide commitments and deployments did not. In fact, the Navy’s crisis responses and deployment cycles increased.

While the Navy aggressively addressed force reduction with multiple programs, it has not adequately addressed increased workloads and deployments created, at least in part, by force reduction. To improve its recruitment and retention performance, the Navy must properly address these problems created by the force reduction and the influences of a strong economy, high employment, and the growing gap between military and civilian pay.

Limitations of the Study

This paper briefly examines the history and associated outcomes of the Armed Forces recruiting and retention efforts prior to the inception of the all-volunteer force in 1973. The primary focus of the paper is on the Navy's enlisted force management efforts since the advent of the all-volunteer force that began in 1973.³ Scant data is available on the Navy's recruiting and retention performance during mandatory service. Because of the great difference in contextual elements during wartime compulsory service and the peacetime volunteer service, little would be gained by comparing performance between the two periods of time. Therefore, this paper focuses primarily on the Navy's enlisted force management performance since 1973 with emphasis on the 1990's. Some inferences and comparisons are made with the Armed Forces as a whole. There are some apparent differences in the effect of Navy recruiting and retention programs on different demographic sectors of the United States population. The effect of Navy recruiting and retention programs on specific demographic groups will not be critically analyzed; however, demographic differences will be noted and commented on for recommendations.

Assumptions

Numerous acronyms, terms, and abbreviations are used throughout this paper. An earnest attempt is made to define each and every term as they are used; however, in an effort to cover all bases, a list of acronyms, terms, and abbreviations is provided at the end of the paper in the glossary to aid the reader.

Notes

¹ All statistics taken from Commander Lois Gruendl, Assessment of USN Enlisted Force Shaping Tools, Point Paper, 16 Jul 97.

² Commander Lois Gruendl, Assessment of USN Enlisted Force Shaping Tools, Point Paper, 16 Jul 97.

³ Selective Service System, *How the Draft Has Changed Since Vietnam*, 1998, n.p.; online, Internet, 14 July 1998, available from <http://www.sss.gov/viet.htm>

Chapter 2

The History of Military Manpower Management

The United States Armed Forces have always had an enlisted manpower management program. Even during the nation's war for independence, a draft and volunteer system was used to man the armed militia forces.¹ “The concept of selective service was the lineal descendant of a tradition brought to the New World by English settlers: That every man has an obligation to defend the common welfare by service in the militia.”² But the forming of our nations’ early frontier settlements was hardly a “selective” process, for during these times, every man was assigned a duty and expected to perform it.³ President George Washington and Presidents Jefferson and Madison after him, recommended a “selective service system” to their respective Congresses, but in each case, Congress failed to act. Finally, in 1792, Congress passed the Militia Law, “but it only served to perpetuate the most notable manpower problem of the Revolution—a maximum of three months service which often left commanders with no troops on the eve of battle.”⁴ The nation’s inability to maintain a stable armed force for self-preservation posed a defense problem through the war of 1812, the Mexican War, and into the Civil War. “In the Civil War, both the North and the South resorted to conscription, but both administered it poorly and unfairly.”⁵ It was not uncommon for draftees to “buy

replacements for themselves.” This practice was at the core of the often heard complaint that the “rich man’s money and the poor man’s blood were fighting the war.”⁶

Many years later, during World War I and II, there was tremendous support for the nation’s war effort, and “reasonably equitable selective service systems brought millions of men into the armed forces of the United States with scant evidence of manipulation or abuse.”⁷ Although the nation had a volunteer force from 1946 to 1950, the Selective Service System remained through the conflicts in Korea and Vietnam as the primary method of recruitment for the United States Armed Forces. Selective Service was particularly effective in growing a large force during times of war and conflict from the small peacetime military, which lacked depth. The Selective Service system required compulsory registration for young men between the ages of 18 ½ to 25.⁸ In times of war, eligible men were drafted from this list. After the war or conflict ended, most draftees were quickly discharged.⁹ This was a simple system that worked for rapid mobilization during times of war sandwiched by times of minimal military involvement in affairs outside the United States and its territories.

In August 1954, in response to congressional recommendations for a more formal approach to manpower management, the Department of Defense (DoD) established DoD Directive 1100.2. This directive provided guidance to the services on the administration of manpower programs and included specific policies for manpower requirements, personnel utilization, facilities and material, training, and reserve forces. The directive stated that manpower programs should:

- (1) Correlate job requirements and personnel qualifications;
- (2) Maintain the grade requirement of each space consistent with its responsibility;

(3) Maximize the stability of assignments and minimize rotation or turnover consistent with requirements of training, readiness, and morale; and

(4) Encourage voluntary enlistment and reenlistment to increase the level of training, experience and combat readiness and minimize involuntary induction.¹⁰

Interestingly, these objectives, more than forty years later, are still valid, desirable outcomes of enlisted manpower management. “In particular, it is apparent that re-enlistment results were the perceived key to increased experience and readiness.”¹¹ Yet, the use of involuntary service induction and largely “knee-jerk” or reactionary management of the enlisted force hindered the concept of enlisted careerist from taking root. “It was not until the late 1960’s and early 1970’s that the modern era of enlisted personnel management began.”¹²

Notes

¹ Sheila Nataraj Kirby and Harry J. Thie, “‘Managing’ the Enlisted Force: Whistling in the Wind?,” *Armed Forces & Society*, Vol. 24, No. 4, Summer 1998, pp. 567-587.

² Association of the United States Army, *The Fatigue of Supporting the Blessings of Freedom*, 6 March 1979, pp.1-8.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸ Selective Service System, *How the Draft Has Changed Since Vietnam*, 1998, n.p.; online, Internet, 14 July 1998, available from <http://www.sss.gov/viet.htm>.

⁹ Sheila Nataraj Kirby and Harry J. Thie, *Enlisted Personnel Management: A Historical Perspective*, (Santa Monica, CA: RAND, MR-755-OSD, 1996), xvii.

¹⁰ Ibid.,p.47.

¹¹ Ibid.

¹² Ibid.,p.xvi.

Chapter 3

Managing Manpower in the All Volunteer Force

In 1973, towards the end of a largely unpopular military presence in Vietnam, the requirement for involuntary draft induction was eliminated, and the all-volunteer force was created. The establishment of the all-volunteer force introduced additional enlisted force management issues. As in all previous periods following major war mobilization, the Vietnam experience created a general reluctance among the American people to use the armed forces as a foreign policy tool and there was an overwhelming sentiment to reduce the armed forces and its associated budget costs. The defense budget, force deployments, and U.S. military capabilities, in general, were noticeably reduced.¹ Issues such as the cost of attracting and retaining volunteers, previously not considered, quickly rose to the forefront. The desirability of first-term enlistees (youth) over careerists (experience) was hotly debated. “By removing the ‘free good’ element in military manpower, Pentagon managers were challenged to pay more attention to efficiency issues and the notion of trade-offs.”²

By the late 1970’s with the Cold War cranking into gear, United States global interests were threatened on several levels and the U.S. used military force as both a crisis management tool, and an effective deterrent toward hostile nations. Thus, the early 1980’s became a period of tremendous growth for the peacetime forces. The United

States pursued a strategy of deterrence through arms proliferation during the Cold War. A large Armed Force build up was necessary to maintain and operate the increasing number of sophisticated weapon systems. Armed Force personnel enjoyed increased compensation, drastic quality of life improvements, and the development of family related policies. “Throughout the early 1980’s, the military buildup continued. Events in Southwest Asia contributed to a permissiveness in public opinion allowing increased defense spending for greater military capability.”³ During this same period, the economy was experiencing double digit inflation, the minimum wage was level at \$3.30, and unemployment rates worsened from 5.6 percent in 1974 to an all-time high of 9.7 percent by 1982.⁴ (See Appendix A) The quality of the force increased dramatically, and was transformed from the worst in modern history to the best.”⁵

Methodology and Measures of Effectiveness

Challenges in meeting active duty force requirements and maintaining quality goals have existed since before the institution of the all-volunteer force. “The problem of matching eligible, skilled personnel with job openings while maintaining a viable organizational structure which provides adequate advancement opportunity and favorable morale was discussed during House Armed Services Committee hearings in fiscal year 1968.”⁶ Stating that the “grade distribution procedures and promotion opportunities were inadequate and not responsive to the services’ needs, and that DoD based grade ceilings on arbitrary budget considerations,” the committee proposed changes. On the committee’s recommendation, the Office of the Secretary of Defense (OSD) adopted percentage ceilings for the top six military pay grades. Additionally, the OSD established minimum time in service for these grades – the basis for all future grade progression.⁷

The Navy established its Career Reenlistment Objectives Program in 1972 in an attempt to correct career imbalances, and to provide “viable and attractive career patterns” to all enlisted members.⁸ While the Navy appeared, initially, to be meeting its first term goals, career imbalances existed in several ratings. By the end of fiscal year 1972, the Navy’s enlisted career force was 83 percent of the authorized strength. Of 103 specialties, 57 were understaffed, and six of these fell short of desired levels by at least 20 percent.⁹

In 1973, the General Accounting Office (GAO) gathered data on “true volunteers” for a three-year period and projected fiscal year 1974 enlistments. The GAO then “compared these past trends and projections with fiscal year 1974 service quantity requirements and quality goals.” Quality goals included limitations on personnel without a high school diploma, or in the “below-average” mental category (See Appendix A). The GAO noted that if the quality goals had in fact been enforced, the shortfall may have exceeded 14,000 Navy enlistments in fiscal year 1974. From January 1970 through May of 1973, the Navy met its goal of 80 percent high school graduates from its “true volunteers” only once. Continually falling short of recruitment goals, the Navy was forced to increase the number of non-high school graduates and mental category IV accessions. In fiscal year 1973, the Navy resorted to enlisting more recruits under three-year contracts in order to meet accession goals.¹⁰ Three-year contract recruits, non-high school graduates and mental category IV enlistees were automatically disqualified for selection to attend service schools. “As a result, the Navy was 7,000 short of its requirement for school-eligible, four-year and six-year enlistments.”¹¹ This failure to recruit and retain the desired quality of enlistee resulted in an imbalance of skills and

vacant service school seats in some technical ratings. Of the 68 entry-level schools, 19 were less than 80 percent filled, and 16 were between 80 to 90 percent filled. Recognizing the potential for continued manning short falls throughout the now all volunteer service, the Office of the Secretary of Defense (OSD) stated that “increased incentives” such as improved sea and shore rotation, or larger reenlistment bonuses might be required to improve the career status of some skill groups.¹²

To alleviate the problem of skill imbalances, the DoD proposed instituting Selective Reenlistment Bonuses (SRB) for certain undermanned skills. The SRB joined the other monetary incentives used to attract first-term personnel into the career force. These incentives included

“a regular reenlistment bonus, required by law to be paid to all first-term personnel upon reenlistment; a variable reenlistment bonus (VRB), payable to first term reenlistees who (had) critical skills in short supply; and shortage specialty proficiency pay for all personnel who (had) critical skills in short supply.”¹³

The DoD believed that the “channeling ability of enlistment bonuses (would) provide more assurance that the supply of quality volunteers (would) meet service assignment needs.”¹⁴

The transition to the all-volunteer force was the catalyst for the most dynamic policy developments in enlisted manpower management in over fifty years. Perhaps, the most significant development arrived in the form of DoD Directive 1304.20, Enlisted Personnel Management Systems, which was signed in 1974. This directive provided guidance on the relative proportion of the top five enlisted pay grades. It was intended “to increase the services ability to identify and correct personnel imbalances and to avoid the distortions of ‘peaks’ (excesses) and ‘valleys’ (shortages) in the grade and years of service distribution of career enlisted personnel.”¹⁵ A key provision of this directive

required that each service develop an objective force profile. The purpose of the objective force profile was to set the target goal that would “serve as the basis for service force management actions and policies aimed at achieving it.”¹⁶

The DoD Directive 1304.20 was updated in 1984. Along with the DoD Instruction 1320.14, dated January 29, 1985, it provided further guidance to the services on objectives and requirements for the enlisted manpower management system. The guidance from these two policy documents attempted to force the services to provide realistic long-term program objective force (POF) profiles, instead of the inconsistent, reactionary profiles provided by the services in the early years of the 1980’s. The POF targeted enlisted force end strength by skill, pay-grade, and years of service. The guidance also compelled the services to support those profiles with a cost analysis and a plan to transition to future POF’s. Additionally, the services were required to provide POF’s along with annual Program Objective Memorandum (POM) submissions to Office of the Secretary of Defense (OSD). The underlying purpose of the instruction and directive was to deter the services from adjusting their POF’s mid-cycle to react to short-term problems.

By the late 1980’s, in spite of the manpower management policies set in motion by the DoD, there was increasing concern that the enlisted force was becoming too senior. Further, it was not clear that the implementation of the management policies established in the 1970’s and 1980’s were effective. It appeared that “current policies did not adequately link the seniority (grade) demand across occupations to supply retention behavior.”¹⁷

Concurrent with the force draw down of 1990, and following several reports on the “aging enlisted force, the Deputy Secretary of Defense issued a memorandum to the services that provided broad guidelines for managing the reduction in forces. These were:

1. Guard against the creation of hollow force units – do not maintain force structure that cannot be sustained by available resources.
2. Annual accession flows must be sufficient in quality and quantity to sustain the forces in a steady state.
3. Retention programs must provide for:
 - a. Incentives to retain our best performers;
 - b. Smart lateral move and retraining options;
 - c. Procedures to involuntarily separate career service members before their contracts expire after other management alternatives have proven inadequate.
4. Ensure timely promotion flow patterns in remaining occupational fields, against promotion stagnation or a career force that is inexperienced.
5. Protect our investments in aviators and health care personnel.
6. Direct members lost from the active force to the reserve force or civilian component whenever possible, maintaining our best people in the total force.”¹⁸

By the end of fiscal year 1994, the services were once again facing policy changes and initiatives to address the size, shape, and experience of the enlisted force.

Notes

¹ Robert P. Haffa, Jr., *Rational Methods, Prudent Choices: Planning U.S. Forces*, 1988, p. 1.

² Sheila Nataraj Kirby and Harry J. Thie, “‘Managing’ the Enlisted Force: Whistling in the Wind?” *Armed Forces & Society*, Vol. 24, No.4, Summer 1998, pp. 567-587.

³ Robert P. Haffa, Jr., *Rational Methods, Prudent Choices: Planning U.S. Forces*, (Washington, D.C., National Defense University Press, December 1988), pp. 1-2.

⁴ U.S. Department of Labor, Bureau of Labor Statistics, web: stats.bls.gov.

⁵ Sheila Nataraj Kirby and Harry J. Thie, *Enlisted Personnel Management: A Historical Perspective*, (Santa Monica, CA : RAND, MR-755-OSD, 1996), xvii.

⁶ General Accounting Office, *Problems in Meeting Military Manpower Needs in the All-Volunteer Force*, Report to the Department of Defense, 2 May 1973, pp.32-35.

Notes

⁷ Sheila Nataraj and Harry J. Thie, *Enlisted Personnel Management: A Historical Perspective*, (Santa Monica, CA: RAND, MR-755-OSD, 1996), xxi.

⁸ General Accounting Office, *Problems in Meeting Military Manpower Needs in the All-Volunteer Force*, Report to the Department of Defense, 2 May 1973, pp.32-35.

⁹ Ibid.

¹⁰ General Accounting Office, *Problems in Meeting Military Manpower Needs in the All-Volunteer Force*, Report to the Department of Defense, 2 May 1973, pp. 28-29. Mental Category IV refers to those recruits scoring between 10-21 percent on the Armed Forces Qualification Test (AFQT). (See Appendix A).

¹¹ General Accounting Office, *Problems in Meeting Military Manpower Needs in the All-Volunteer Force*, Report to the Department of Defense, 2 May 1973, pp.32

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid., p.55.

¹⁸ Deputy Secretary of Defense, 1990.

Chapter 4

Present Day Manpower Management

Current Recruitment and Retention Programs: Methodology and Measures of Effectiveness

Prior to 1990, directives and policies attempted to focus on specific areas for measurements of performance and effectiveness. Though DoD policies and directives addressed specific problem areas for services to focus on, no formal target goals were established to measure effectiveness. These areas included size of the force, skill level, experience, pay grade and training. In reality there is no formal system to hold the services accountable as a measure of effectiveness. The performance objective force (POF) profile is the closest benchmark for measuring effectiveness. As stated earlier, the POF is the service's estimate of the size, pay grade composition, and end strength required to meet its expected mission needs for a given period. It provides the target for military planners to manage end strength. Determined by each service based on a trade off of missions versus budget constraints, POF's tend to be very fluid, and are revised continually as internal and external factors are factored into the equation. By using POF's as a measurement tool, each service is allowed to determine the standard by which they will be measured. Naturally, in an ever-changing global environment, military mission and structure must be equally dynamic. In 1990, the Navy's authorized end strength was

519,048. The actual Navy end strength was 502, 864. In fiscal year 1998, the authorized Navy end strength was 331,107 and the actual Navy end strength was 323, 120.¹ In each case the POF was adjusted mid-term to reflect recruiting shortfalls.

Utilizing the POF for end strength target and structure, the Navy's manpower managers employ three broadly scoped force-shaping tools: attrition, retention, and recruitment/accessions.

Attrition

Attrition is the unexpected loss of personnel. It can occur in several different ways. It can occur through involuntary separation at the convenience of the Navy or through voluntary separation at the convenience of the individual. AWOL (absent without leave) and desertion are a couple of types of attrition occurring not at the convenience of the Navy. Temporary Early Retirement (TERA), Selective Early Retirement (SER), High Year Tenure (HYT), and Volunteer Separation Incentive (VSI) are attrition programs used for the convenience of the Navy. Force attrition has always been an important factor in determining the effectiveness of manpower management.

Because training personnel is such an important part of force readiness, each early loss represents the loss of a valuable force asset. Navy AWOL rates were 19 per 1,000 in 1971, but by the late 1970's and early 1980's the rate climbed sharply. By 1982, the Navy AWOL rate was 63.6 per 1000. Though AWOL continued to be a problem for the Navy, with the advent of the all-volunteer force, non-AWOL attrition of sailors in their first term of enlistment became a more significant problem.² Through the early 1980's all branches of service were losing about 30 percent of each entering cohort within three years of service. Of these losses, most were classified as adverse. While some attrition is

inevitable and even desired, early attrition (before completion of the first term contract) is an expensive loss. Another one-third of all recruits fail to reenlist after successfully completing their first term, leaving behind the remaining third as the basis for the career force. In today's post draw down environment, decisions on departures have shifted to the institution rather than the individual. Now, Navy planners attempt to pre-determine what percentage of recruits will complete training, and how many opportunities each recruit will have to complete accession.

The Navy uses several programs to control attrition. One such program is TERA, Temporary Early Retirement Authorization. TERA programs have been used in successive years to reduce top heavy manning in selected career fields. TERA is a temporary authorization for the Navy to offer 15-year retirement benefits to a specific group of personnel in certain over-manned jobs. TERA is a program that pays a reduced annuity to retirees. It is targeted to sailors with between fifteen and nineteen years of service, primarily, in pay grades E-5 to E-7.

Another force shaping tool currently in use is the Selective Early Retirement Program (SER). This program targets enlisted personnel with 20 years or more time in service. It involuntarily retires enlisted members in over-manned career fields lacking upward mobility.

The High Year Tenure (HYT) program sets DoD mandated maximum years of service for each pay grade. Upon reaching the mandated maximum years of service for his particular pay-grade, the enlisted service member must retire. As of 1993, the following maximum years of service per pay grade apply:

E-4	10 Years
E-5	20 Years

E-6	20 Years
E-7	26 Years
E-8	26 Years
E-9	30 Years

Another force shaping attrition tool, is the Voluntary Separation Incentive/ Special Separation Benefit Program (VSI/SSB). This program pays installment or lump sum payments to mid-grade petty officers for volunteering to separate short of twenty-year retirement. These sailors do not gain any retirement benefits or pay outside of the separation incentive pay.

Retention

Current Navy retention figures for first-term, second-term, and third-term enlistments were 30.5 percent, 46.3 percent, and 54.6 percent respectively for fiscal year 1998.³ Navy goals for first, second, and third-term retention are 38 percent, 54 percent, and 62 percent respectively.⁴ Retention is well below desired levels, and expected to continue to decline due to the Navy's force reduction programs. In an effort to enhance retention success, the Navy currently relies on several programs and initiatives, including Selective Reenlistment Bonuses (SRB), the ENCORE program, the retirement system and quality of life initiatives.

The SRB program has changed very little over the years, in that its primary purpose is to retain those first-term enlistees who are in the undermanned, critical, or highly-specialized technical ratings. This program is used as an alternative to the opportunities that technically skilled members have in the civilian sector and as a stopgap for the more difficult to man jobs.⁵

Another retention program is the ENCORE program. The ENCORE program is used to "reclassify" first term re-enlistees from over manned ratings to undermanned ratings.⁶

The retirement system, though benefits vary based on date of enlistment, is a valuable tool for encouraging retention. Use of the retirement system as a benefit and force-shaping tool began as early as 1947.⁷ It has been modified twice, first in 1981, and again, in 1986.⁸ The least complicated of the three programs is the original plan that requires a minimum of 20 years of service (YOS). Benefits are comprised of non-pay privileges and monthly pay. These benefits are commissary, exchange and medical benefits along with annuity payments equal to .025 times years of service (YOS) times final monthly basic pay. The pay is adjusted annually equally with the percentage increases in the Consumer Price Index (CPI).⁹ The second retirement system applies to Navy enlistees who entered the Navy between FY 1981 to FY 1986. Under this program, after completing 20 YOS retirees are eligible for the same non-pay benefits as members under the original plan and an annuity equal to .025 times YOS times the average of the 3 highest monthly basic pay. This retirement plan adjusts pay annually, percentage point for percentage point, with the CPI also.¹⁰ The most recent retirement plan, also called the REDUX plan, includes the same non-pay benefits as the other two plans for members who complete a minimum of 20 YOS. The annuity plan provides a significantly reduced annuity for members retiring with less than 30 YOS. The annuity payment is based on .4 plus .035 times YOS minus 20 times the average of the highest three monthly basic pays. The REDUX annuity increases consistently with the CPI up to 2 percentage points. When CPI exceeds 2 percentage points, the REDUX annuity increases at only a fraction of the CPI adjustment. Excluding 1998, the CPI has averaged an annual rate of 3.5 percent growth.¹¹ The REDUX plan effectively reduces the annuity paid to retirees who choose to retire after completing only 20 YOS, it increases potential annuities at a faster

rate for those who retire later than 20 YOS, and it reduces the real economic value of the annuities by reducing the CPI adjustments.¹² Though not a major consideration for initial recruits in the Navy, the retirement plan becomes an important retention tool for sailors completing 4 YOS.¹³ An alternative retirement plan, Military Federal Employees Retirement System (MFERS), that is similar to the current Federal Employees Retirement System (FERS) has been proposed as a more equitable retirement plan for all. MFERS is discussed in detail in the section titled “Recommendations For Improvements”. Recognizing the importance of this force-shaping tool, correcting the imbalances in the retirement system has become a top priority of the Chief of Naval Operations (CNO). At a Navy League luncheon in early October of 1998, Admiral Jay Johnson announced that his near-term goals included “fixing the retirement system and boosting pay.”¹⁴

One of the most important factors in retention is quality of life. Quality of life not only encompasses living conditions and morale, welfare, and recreation (MWR) programs, but also, includes minimizing family separation. In a 1974 report to Congress prepared by the Comptroller General of the United States, the most frequent reason for members separating from the Navy was family separation.¹⁵ Today family separation is still an important factor for married sailors deciding between remaining in the Navy or getting out after completing contract obligations. With increased deployments due to fewer ships to cover global commitments, and more work due to manning shortages in the units, sailors are separated from family members for longer periods of time and must also shoulder extra workloads. Between 1990 and 1997, the Navy responded to 93 contingencies.¹⁶ Typically, “...the tempo of operations has increased for ships that remain, and now the new manning difficulties are only exacerbating the hardship on

sailors....”¹⁷ Family separation and increased workload for sailors are significant quality of life issues that the Navy must attempt to resolve now.

Recruitment and Accessions

The Navy, like other services, has experienced significant shortfalls in technical rating accessions since fiscal year 1995. Several efforts have been undertaken each fiscal year since the 1990 draw down began to stabilize the force and eliminate these shortfalls. These efforts include “ reclassification of GENDETS (non-designated recruits) at Recruit Training Command, Great Lakes into specific targeted ratings; recruitment of Navy veterans, recycling of academic “A” school attrites into other ratings, and deliberate creation of school house back logs during easier recruiting months.¹⁸

The most influential tool for recruiting and accessing high quality recruits to the Navy is the bonus. Enlistment bonuses are offered to personnel who meet the qualifications (as determined by AFQT scores) to fill the most critically undermanned jobs, and those jobs that require highly specialized technical skills. The current Navy enlistment bonus program, Expanded Enlistment Bonus (EEB) offers a minimum \$3,000 bonus to recruits enlisting in one of 80 critical ratings. Recruits filling the most critical ratings, including Fire Control Technicians and Missile Technicians can receive up to \$11,000 in bonus money. Recruits entering the nuclear field can receive up to \$12,000 in bonus money for enlisting.¹⁹

Additionally, advancement opportunities are used as an inducement for potential recruits. The Navy continues to improve advancement opportunities through other programs such as TERA, ENCORE, and HYT separations. These programs have had a direct impact on advancement opportunities for all enlisted pay grades. “Utilizing these

tools, the Navy has managed to significantly increase opportunity for eligible personnel to obtain the pay grades E-7 through E-9, making the retirement package and, thus, continued service, more attractive to senior petty officers.²⁰

In an effort to alleviate some of the recruiting shortfall, the DoD initiated a program that allows the services to recruit more home-schooled and National Guard Youth Challenge, General Education Development (GED) candidates. These recruits will be counted as if they were high school graduates and not count against the services' effort to meet the DoD directed goal of 90 percent high school graduates.²¹ Currently, the Navy does not count these recruits against its self-imposed goal of 90 percent high-school graduates.

Another accession tool used by the Navy is the retirement system. Newly enlisted personnel are guaranteed an annuity and other non-pay benefits after completing 20 YOS. Still another recruiting incentive is the Montgomery G.I. Bill. The Montgomery G.I. Bill guarantees new accessions \$50,000 in college funds after the recruits have contributed only \$1,200 to the program. These programs comprise the nucleus of the Navy's recruiting incentive package. Working under statutory and budgetary constraints the Navy is struggling to find the proper mix of recruiting tools to compete with a civilian sector experiencing extraordinary economic success and high employment.

Notes

¹ Commander Lois Gruendl, Assessment of USN Enlisted Force Shaping Tools, Point Paper, 16 Jul 97.

² Sheila Nataraj Kirby and Harry J. Thie, *Enlisted Personnel Management: A Historical Perspective*, (Santa Monica, CA : RAND, MR-755-OSD, 1996), pp107-108.

³ Terry Stevens, *Military Needs to Fight to Keep its Good People*, Navy Times, 4/20/98, Vol. 47 Issue 28, p 31

Notes

⁴ Data extracted from CDR Lois Gruendl, BUPERS Point Paper, Subject: An Assessment of USN Enlisted Force Shaping Tools.

⁵ CDR Gruendl

⁶ CDR Gruendl

⁷ Beth J. Asch, Richard Johnson, and John T. Warner, *Reforming The Military Retirement System*, Rand, 1998, p 1.

⁸ Asch, Johnson, and Warner, p 1.

⁹ Asch, Johnson, and Warner, p 39.

¹⁰ Asch, Johnson, and Warner, p 39

¹¹ Internet address, www.ftp.bls.gov/pub/special.request

¹² All REDUX information taken from: Asch, Johnson, and Warner, p 39

¹³ Asch, Johnson, and Warner, p 27.

¹⁴ Navy Wire Service, 8 October 1998.

¹⁵ Comptroller General of the United States Report to the Congress, *Military Incentives: Effectiveness and Administration*, 1974, p 17.

¹⁶ John Burlage and Mark Faram, *Shortages: Doing Lots More with Less*, Navy Times, 04/13/98, p 11.

¹⁷ John Burlage and Mark Faram, *Shortages: Doing Lots More with Less*, Navy Times, 04/13/98, p 11.

¹⁸ CDR Gruendl

¹⁹ All figures taken from Navy News, 3 February 1999

²⁰ Ibid.

²¹ Navy News, *DOD Evaluating Recruits with Alternative Diplomas*, Navy Wire service, 4 February 1999.

Chapter 5

Challenges Facing Navy Retention and Recruiting

The force reduction efforts of the 1990's presented perhaps the most significant challenge for Navy leaders and manpower experts tasked with shaping and manning the Navy for the next millennium. The ever-changing world environment, and domestic economic and cultural climate, cannot be ignored when attempting to shape the Navy's future force. Numerous studies have indicated that the tools which Navy planners use to shape the force must also take into account the external factors such as domestic politics and economics while operating within a set of limited resources dictated by budgetary constraints. Simply, in an all-volunteer force, where personnel are serving at their own choosing, it is not likely that volunteers will remain in an environment that offers fewer benefits, less compensation, and sub-standard quality of life than what can be had in the civilian sector. In the Opinion and Commentary section of the April 20, 1998 issue of *Navy Times*, Terry Stevens, a manpower expert and noted author, wrote: "The services are now in a 'compensation war' with the private sector, yet have no comprehensive or cohesive strategy to survive in this very competitive labor market." Throughout the history of the armed forces, leaders and service members alike, revisited the issues of force quality, quality of life, compensation, retirement, and benefits. The Navy has made great improvements on some of the issues, such as quality of life. Unfortunately,

force reduction of personnel, ships and capital has offset much of the improvements. With sea/shore rotations increasing in favor of more sea time, deployments getting longer, and frequent contingency operations becoming common place – Navy personnel are weighing their options and hoping that the grass is, in fact, greener on the other side.

On October 2, 1998, Chief of Naval Operations (CNO), Admiral Jay L. Johnson stated that fixing the retirement system and boosting pay were his top near term goal. Speaking of sailors who joined after 1986, after the most recent change to the retirement benefits package, Admiral Johnson stated:

“Sailors who joined after 1986 are under a retirement system that provides 40 percent of their base pay after 20 years of service...they’re doing the math and voting with their feet.”¹

In the shadow of the nation’s strong economy, high employment rates, and increased per capita incomes, the Navy’s compensation system has failed to keep pace. These factors coupled with the quality of life issues such as increased deployment and operating tempo, more family separation, and a stagnation in advancement opportunities for many career fields, and the strong economy have created potentially the most challenging recruiting and retention environment since the inception of the all volunteer force.

Cultural Factors

In 1965 Blacks represented 15.2 percent of total armed services enlisted accessions, mainly due to the draft.² This percentage of draftees represented a disproportionate number of blacks filling the lower recruit ranks in the armed forces. The relative over-representation of Blacks in the lower ranks can be partially explained by occupational and educational draft deferments obtained by many whites. Individuals with middle and upper socioeconomic backgrounds obtained occupational and educational deferments.

Blacks tended to come from lower socioeconomic backgrounds and therefore were not privy to deferments as were many Whites. Today, in the Navy, there still exists an over-representation of Blacks in the enlisted ranks with respect to the Black percentage of the population as a whole. While Blacks comprise only 12.6 percent of the general U.S. population, blacks make up 19 percent of the total Navy enlisted force.³⁴ Throughout the 1990's the Navy set a goal of recruiting a minimum of 12 percent Black and 8 percent Hispanic for the enlisted force. The Navy has exceeded these goals every year. Hispanic representation in the Navy closely approximates Hispanic representation in the general U.S. population.⁵ As stated earlier, Black representation in the Navy exceeds Black representation in the U.S. population. In the officer corps Blacks and Hispanics comprise only 5.33 percent and 3.13 percent of the total corps.⁶ With both groups enjoying equal or greater enlisted representation than the general U.S. population, but under-representation in the officer ranks, perhaps the focus should be redirected toward correcting the growing imbalances between enlisted-officer representation within these groups.

Economic Factors and Opportunity Costs

There are a variety of economic indicators that reflect the health of the U.S. economy. These indicators are important to Navy recruiting and retention because they define the competitive environment. When the U.S. economy is doing well, those who consider pay compensation as the most important factor in their employment decision will opt to not join the military service or voluntary separate from military service when eligible. There is an opportunity cost associated with enlisting in or remaining in the armed service. Opportunity cost is “the highest valued sacrifice” that service members

make in terms of wages, compensation, and work conditions for joining or remaining in the armed forces.⁷ For example, if a recruit gives up a job that pays an annual salary of \$16,000 to join the Navy, then his opportunity cost is \$16,000. Navy manpower managers must consider economic factors and opportunity costs when deciding on the mix of tools to shape the Navy of the future. Effective force shaping tools should offset the sailor's opportunity costs as much as possible.

The most important indicators for determining the health of the economy are: the Gross National Product (GNP), Consumer Price Index (CPI), and the unemployment rate.⁸ Besides the big three economic indicators, manpower managers must also consider the opportunity costs created by employment options in the civilian sector.

GNP is the most reliable indicator of economic performance. GNP measures the “total market value, in terms of current dollars, of all goods and services produced in the United States in one year.”⁹ GNP represents the overall health of the economy. A healthy economy translates to more job opportunities for potential sailors.

The Consumer Price Index (CPI) is the relative change of the general price level of selected goods in the U.S measured against the price of those goods in 1967.¹⁰ CPI is used to measure inflation. In the early 1980's during the boon years of Navy recruiting and retention, the CPI rose significantly. The CPI rose to a high of 13.5 percent in 1980, and dropped only slightly over the next two years.¹¹ Corresponding with the Navy's current recruiting and retention woes, the CPI decreased to 3.0 in 1992 and has remained steady below 3.0 since.¹² Without considering other factors, the obvious correlation is that a high CPI equates to increased accessions for the Navy and low CPI equates to lower accessions.

The unemployment rate, as measured by the Bureau of Labor Statistics, represents the monthly percentage of the U.S. population actively pursuing employment that is unable to attain employment.¹³ Generally, when businesses are healthy and making money, employment is likely to be healthy and the unemployment rate will be low. Not only should Navy manpower managers concern themselves with the employment rate as it relates to economic health, but a high employment rate also represent a viable alternative for civilian employment for new recruits and current enlistees. That is, potential new accessions or detainees will give more weight to the cost of not opting for the civilian sector when the probability of getting a civilian job is high. During the massive buildup of naval forces in the early 1980's the U.S. unemployment rate increased considerably. (See Appendix B) The increase in the unemployment rate coincided with the buildup of Navy personnel to a peacetime peak of 592,570 sailors by 1988.¹⁴ Although other factors contributed to the buildup during the 1980's – for instance, the Cold War fueled the development of a large and strong deterrent defense force – the effect of the declining opportunity for alternative civilian employment cannot be trivialized. During the recent period of poor Navy recruiting and retention, the unemployment rate has stabilized at roughly 5 percent.¹⁵ Navy manpower managers have studied the effects of the unemployment rate and determined a "1 percent drop in the unemployment rate equates to a 1 to 2 percent drop in the first term reenlistment rate."¹⁶

Per capita income is "calculated by dividing the aggregate income by the total number of individuals in the universe."¹⁷ It represents the average annual income of working individuals in the U.S. working population. A comparison of per capita income versus enlisted pay and allowances can be used to indicate the opportunity costs sailors

pay to join the Navy. An appropriate comparison of per capita income can be made against annualized E-4 basic pay, plus Basic Allowance for Quarters (BAQ), and Basic Allowance for subsistence (BAS). Prior to 1997, when comparing aggregate E-4 military pay against per capita income, monetary opportunity cost is always negative. (See Appendix C) In other words, the alternative of pursuing civilian employment at the per capita income level after four years of service in the Navy had negative value for an E-4 when compared to military pay compensation. These conditions made it easy for manpower managers to ignore the impact of per capita income and minimum wage.

While apparently little consideration was given to these indicators, the gap has shrunk and opportunity costs have increased. By 1997, the gap between E-4 aggregate pay and per capita income had closed to an opportunity cost of negative 2,928. This opportunity cost is 2,000 more than it was fifteen years earlier during the buildup. (See Appendix C) The DoD surveys roughly 20,000 civilian occupations per quarter to determine pay differences between civilian pay and military pay. This measurement is called the Employment Cost Indicator (ECI). In the third quarter of 1996, the ECI indicated that “civilians get paid about 11 percent to 12 percent more than military people.”¹⁸ The gap between civilian and military pay or the opportunity cost of Navy service continues to affect recruiting and retention.

The bottom line is, pay has always been a major factor for individuals deciding to enlist and remain in the military service or not to enlist and get out of military service. The economic indicators that define the strength of military service competition must be monitored closely and compensated for when necessary.

Notes

¹ Quoted from Navy News, 8 October 1998.

² Morris Janowitz, "American Democracy and Military Service", *Society*, Jan/Feb98, Vol. 35 Issue 2, p 39-52.

³ Internet, <http://www.census.gov/statab/www/part1.html>

⁴ Bureau of Naval Personnel, Military Equal Opportunity Assessment reports for 1990-1998

⁵ Internet, <http://www.census.gov/statab/www/part1.html>

⁶ All Navy demographic information extracted from Bureau of Naval Personnel, Military Equal Opportunity Assessment Reports for 1990-1998

⁷ Gary M. Walton and Frank C. Wykoff, *Understanding Economics Today*, Second Edition, Irwin Publication, 1989, p 24

⁸ Ibid., p 179.

⁹ Ibid., p 179

¹⁰ William J. Baumol and Alan S. Blinder, *Economics Principles and Policies*, Second Edition, Harcourt Brace Jovanovich, Inc., 1982, p108

¹¹ All statistical information taken from the Bureau of Labor and Statistics web site at internet address, www.ftp.bls.gov/pub/special

¹² All statistical information taken from the Bureau of Labor and Statistics web site at internet address, www.ftp.bls.gov/pub/special

¹³ William J. Baumol and Alan S. Blinder, *Economics Principles and Policies*, Second Edition, Harcourt Brace Jovanovich, Inc., 1982, p 90

¹⁴ FAST FACTS, Navy Times, Vol. 48, No 17, 1 February 1999

¹⁵ All statistical information taken from internet address www.ftp.bls.stats.gov

¹⁶ E-mail from LCDR Lois Gruendl, BUPERS P222, 6 January 1999

¹⁷ John McNeil, *Changes in Median Household Income: 1969 to 1996*, Current Population Reports Special Studies, U.S department of Commerce, July 1998, p 23

¹⁸ Patrick Pexton, *Pay Gap: Is it in Your Head?* Navy Times, 9/16/96, Vol. 45 Issue 50, p15

Chapter 6

Recommendations for Improvement

The DoD has a viable system for identifying future manpower requirements. Services provide POF profiles with each POM. Manpower requirements, projected 2 years out, are identified in the POF profiles by the services. The POF profiles should be used as the target for the services to aim for when applying tools to shape the forces. Unfortunately, services are allowed to adjust POF profiles mid-term. Adjustments appear to be made in response to internal and external factors with little justification. The first step in improving the system is to make the system more credible. That is, the services should be held responsible for achieving the original POF profiles unless change is justified by some extenuating external circumstance. The reduction of forces initiative in the early 1990's, and mobilization for conflict are good examples of extenuating external factors. Internal factors, such as failure to reach recruitment goals, should not justify a change in the originally submitted POF. Failure to reach goals established in POF profiles should be fully explained with a Plan of Actions and Milestones (POAM) to correct the shortfall.

Given a hard goal identified in the POF profile and the effectiveness of existing force shaping tools, Navy manpower managers must become more responsive to external factors and a fluid competitive environment. Some tradeoffs may be required to meet the

most immediate shortfalls. Though history has shown non-high school graduates to bring more problems and costs than high school graduates, these young men and women may be viable candidates to fill the Navy's GENDET shortfall. The new program that allows more non-high school graduates who are in the National Guard Youth Program to enter is a good start, but it is not enough to put a dent in the GENDET shortfall. The National Guard Youth Program is a youth development program much like the Civil Air Patrol. In this program teenagers are indoctrinated in discipline and core competencies required for military service. A request for a waiver of the DoD mandated 90 percent high school graduate minimum should be submitted. A program that would tie a two-year contract with a promise of an "A" school and some education incentive upon successful completion of the initial contract would induce non-high school graduates to enlist in the Navy.¹

For recruiting high school graduates in the upper mental category to meet the Navy's most critical technical skills, incentive packages must stand up against inducements provided by civilian corporations. Pay is the number one inducement. The Navy has made some efforts in this area. The increase in the enlistment bonus to a maximum of \$12,000 should have some effect. The effect of this change should be monitored and adjusted for in the near-term. A significant increase in base pay for E-3 and below would also be beneficial. Unfortunately, this is not the sole domain of the Navy and numerous factors work to complicate the probability of this occurring. Nonetheless, all budgetary partners, DoD, the individual services, the executive branch, and the legislative branch are in concurrence on providing the military its biggest pay raise in a decade for FY 2000.

In addition to pay, standardization of the military retirement system (MRS) would enhance the Navy's force management efforts. Like pay, the MRS is not only difficult to attack, but it requires the collective effort of all services and the DoD. Placing all service members under the pre-1981 retirement system or creating a retirement plan similar to the Federal Employees Retirement System with a skewed pay raise would increase recruitment and retention.² Beth J. Ash, Richard Johnson, and John T. Warner completed a RAND report on the MRS in 1998. According to the findings of the report, a retirement system that included a combination of pay/savings benefits and a skewed pay raise would increase retention at all levels and cost the government less money than the current system.³ The MRS plan calls for defined benefits, defined contributions, Thrift Savings Plan, social security benefits, and a skewed pay raise ranging from 2 percent for E-1 to 32 percent for E-9.

The continued use of bonuses for the most technical ratings is necessary to retain the Navy's most valuable and expensive talent. Analysis like the ECI should be used to identify the pay gap between the critical ratings and their civilian counterparts. Every effort must be taken to fill this gap with incentive bonuses that keep pace with increases in civilian pay.

With a record for exceeding minority accession goals every year this past decade, the Navy can be proud of the demographic make up of the enlisted force. The Black population in the Navy, as a percentage of the whole, exceeds Black representation in the U.S. by over 4 points. The Hispanic representation within the Navy is comparable to that of the general U.S. population. Blacks and Hispanics no longer require special attention when it comes to Navy enlisted recruiting. Redirecting those minority-recruiting efforts

toward improving overall recruiting performance and minority officer recruitment would yield more efficiency and perhaps better results through economy of effort.

The Navy needs to direct more attention to maintaining advancement opportunities for young sailors. The migration to an older more experience force has reduced advancement opportunities for the young. The top five creep must stop. Continued use of the HYT programs, ENCORE, and TERA help; but most of these programs are temporary, and mainly focus on the recent total force reduction. Consideration should be given to continue these programs until a predetermined mix of “young” and “old” sailors is reached.

The Navy already uses a variety of tools to shape the personnel force. These tools have proven, in the past, to be effective, at least in part. By establishing realistic goals, updating existing programs, applying the proper mix of force shaping tools, and introducing innovative ways to compete for young talent, the Navy can correct a system that has experienced recent significant problems in effectiveness.

Notes

¹ Data on the effectiveness of 2-year contracts extracted from Comptroller General of the United States Report to the Congress, *Military Incentives: Effectiveness and Administration*, 1974, p 6.

² Asch, Johnson, and Warner, p 76

³ Asch, Johnson, and Warner, p 77

Conclusion

Since the start of the 1990's, the Navy has failed to attain accession goals by an average of 11 percent each year. Shortfalls have ranged from minimum qualified GENDETs to the highly capable critical skilled "A" schoolers. During the same period, retention has declined at a dramatic rate. Faced with a variety of internal and external factors, the Navy has primarily been reactive to manning issues rather anticipating future challenges. These challenges included a congressionally mandated force reduction, decreasing budgets, significantly increased operating tempos for naval forces and a highly competitive civilian job market. Most of the challenges are not new or unforeseen. The Navy has seen force reductions before. The Navy has always competed for labor with the civilian sector, in good times and bad. Shrinking budgets and increased operations tempo have been a reality for some time. The Navy uses a variety of existing tools to shape manpower in this challenging environment. Unfortunately, some of the tools are obsolete and updated only in response to overwhelmingly apparent ineffectiveness. With more foresight and attention to lessons of the past, Navy manpower managers can become more proactive and improve on their ability to effectively manage Navy manpower in today's dynamic and competitive environment.

Appendix A

Mental Categories

The Department of Defense used the Armed Forces Qualification Test scores to group all new enlistees and draftees into the following mental categories, from which it measured the overall quality of new accessions.¹

Table 1 Mental Categories

<u>Mental Category</u>	<u>Percentile Score</u>
I	93 to 100
II	65 to 92
IIIA (upper)	49 to 64
IIIB (lower)	31 to 48
IVA (upper)	21 to 30
IVB (lower)	10 to 20
V (unacceptable)	9 and below

¹ Mental category data extracted from the General Accounting Office report to Congress titled “Problems In Meeting Military Manpower Needs in the All-Volunteer Force.”

Appendix B

Unemployment Rate in the Civilian Work Force

Table 2 Unemployment Rate in the Civilian Work Force

YEAR	RATE
1974	5.6 %
1976	7.7
1978	6.0
1980	7.1
1982	9.7
1984	7.5
1986	7.0
1988	5.4
1990	5.5
1992	7.4
1994	6.1
1996	5.4
1997	4.9 ²

² Data extracted from U.S. Department of Labor, Bureau of Labor Statistics web: stats.bls.gov

Appendix C

Wage/Pay Comparison Table

Table 3 Wage/Pay Comparison

PAY GRD	YR	BASE PAY (BP)/YR	BP + BAQ + BAS/YR³	MIN WAGE PER YR⁴	OPP COST⁵	PER CAP INC⁶	OPP COST⁷
E-1	1982	6,876	11,130	6,700	-176	8,980	-2,150
E-4	82		13,914			8,980	-4,934
E-1	1988	7,568	12,615	6,700	-868	13,123	508
E-4	88		17,143			13,123	-4,020
E-1	1992	8,719	14,476	8,500	-219	14,847	371
E-4	92		19,630			14,847	-4,783
E-1	1997	10,000	16,783	10,300	300	19,241	2,458
E-4	97		22,169			19,241	-2,928

³ Calculated by adding annual BAS and BAQ W/ Dep for E-1 and single BAQ for E-4 extracted from pay charts

⁴ Calculated by multiplying min wage extracted from www.ncpa.policy times 40 hrs times 50 weeks

⁵ Calculated by subtracting annual minimum wage from annual E-1 basic pay

⁶ Data extracted from www.census.gov/stat/hhes

Glossary

ACRONYMS, TERMS, and ABBREVIATIONS

AFQT	Armed Forces Qualification Test
AWOL	Absent Without Leave
BAQ	Basic Allowance for Quarters
BAS	Basic Allowance for Subsistence
BUPERS	Bureau Naval Personnel
CNO	Chief of Naval Operations
CNRC	Chief of Naval Recruiting Command
CPI	Consumer Price Index
DoD	Department of Defense
ECI	Employment Cost Indicator
FERS	Federal Employees Retirement System
FY	Fiscal Year
GENDET	General Detail
GNP	Gross National Product
HYT	High Year Tenure
MFERS	Military Federal Employee Retirement System
MRS	Military Retirement System
OSD	Office of the Secretary of Defense
POAM	Plan of Action and Milestones
POF	Projection of Forces
POM	Program Objective Memorandum
RIF	Reduction in Force

⁷ Calculated by subtracting per capita income from annual E-4 basic pay, BAS, and single BAQ

SECNAV	Secretary of the Navy
SER	Selective Early Retirement
SRB	Selective Reenlistment Bonus
SSB	Selective Separation Bonus
TERA	Temporary Early Retirement Authorization
VHA	Variable Housing Allowance
VRB	Variable Reenlistment Bonus
VSI	Voluntary Separation Incentive
YOS	Years of Service

“A” school. Initial skill training for new recruits.

defined benefits plan. A pension plan that provides retirement income benefits that are specified by the employer and based on a group pension account.

defined contribution plan. A pension plan that provides retirement income benefits based on individual accounts for each participant and contributions to the account.

GENDET. General detail. An unskilled Navy recruit who performs general detail work and is enlisted under contract in which the Navy is under no obligation to provide skill training.

opportunity cost. The highest value sacrificed for choosing one alternative over another.

Vested. Irrevocable right of an employee to enjoy the full earned benefits of a pension fund to which he and his employer have contributed, or to transfer pension credit from one employer to another, in the event of termination of employment before retirement

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